



Franchising Update

Biannual Newsletter- Australia

Welcome!

Welcome to the U.S. Commercial Service's second issue of the biannual Franchising Update prepared for the purpose of advising U.S. Franchisors on developments and opportunities in the Australian Franchise Industry.

With 900 franchise systems and close to 53,500 franchised outlets employing some half a million Australians, the Franchise sector in Australia is considered both large and mature. Last year the sector generated revenues of \$AU 111.5 billion, up 9.7% from the previous year. During that period, franchise fees alone reached \$AU 7.5 billion!

Australia continues to dominate as the world's most franchised country per capita, three times more than in the United States. The industry is driven by Australia's strong economy and tight industry regulation ensuring a safe environment to set up a franchise.

For further information relating to this sector or on the different services that the Commercial Service can provide U.S. companies wanting to expand to Australia please contact:

Kate Wilkie
Commercial Specialist – Franchising
US Commercial Service – Melbourne
kate.wilkie@mail.doc.gov
Tel: +61 3 9526 5927/ Fax: +61 3 9510 4660

The data provided in this newsletter is given solely as an information resource and does not imply endorsement by the U.S. Department of Commerce.

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Franchise Council of Australia

The Franchise Council of Australia Limited (FCA) is the primary trade association for the \$80 billion franchise sector in Australia, representing franchisees, franchisors and service providers to the sector. It was formed in 1983 as a not-for-profit organization. It continues to operate in this capacity with its national head office in Melbourne, Victoria. It provides localized member services through five state chapters - one in each mainland state of Australia, with chapter offices operating in each capital city. Each state chapter elects a president, who is automatically appointed to the national board. The FCA is closely affiliated with franchising associations around the world, and is a founding member of the Asia Pacific Franchise Confederation (APFC). It is also a member of the World Franchise Council (WFC) and during 1999 and 2000 was the secretariat for the World Franchise Council. Further details on the Franchise Council of Australia (FCA) can be viewed at www.franchise.org.au



Health Care: Future Franchising Industry

As baby boomers begin to hit the age of 60, they will begin to drive the need for a variety of care models. The Australian Bureau of Statistics estimates that between the years of 2011 and 2031, the number of Australians aged 65 years and over is projected to grow from 3.2 million to 5.7 million. Currently the industry is being dominated by government-funded services, thus there are very few franchises in the senior care sector. While there are quite a few privately owned senior care providers, particularly in residential care and home and community care, very few are established under a franchised model and none focus on providing companionship and non-medical care. This gap in the market is a unique opportunity for U.S. aged-care related franchises, particularly in the areas of aged care, medical practices and pharmacies. Already existing U.S. franchises in this area are Home Instead Senior Care, Comfort Keepers and Home Watch International.

Looking for an Australian lawyer or accountant specializing in Franchising?

Check out our list of recommended Business Service Providers on our website:

www.buyusa.gov/australia/en/bsp.html

Industry Segmentation

Product/Service	Share
Food Retailing	31%
Non-food Retailing	30%
Property and Business Services	24%
Other	15%

While retailing makes up the majority of franchised products with many established brands and consistent revenue growth, opportunities are becoming exhausted when compared to the services sector. Increased consumer spending on services has resulted in high growth areas in home building, carpet cleaning, repair systems, waste management, financial and business planning and fitness clubs.

Franchising: A Macroeconomic perspective

A growing number of baby boomers reaching retirement age will increasingly be looking to augment their savings or re-enter the workforce. This is helped by the relative affordability of a franchise with start-up costs averaging \$120,000 with higher costs for a retailing establishment.

But because of the strong growth and growing number of establishments, competition has increased for quality franchisees. Low unemployment levels have begun to restrict the pool of potential investors who feel secure in their current jobs and are less inclined to invest in a franchise. As well, those who do decide to take on franchises have tended to stick with the better known and branded firms.



Did you know?

Australia's FCA says that a major trend in the industry is for franchise chains to multi-brand and for the development of the 'super franchisee' who holds multiple outlets. This may include franchises from different, non-competing, co-branded outlets. As mentioned above, these trends are driven by a recruitment shortage.



A Hard Sell: Where Brand Matters Less

Juice and coffee franchises are expected to experience pressure on profitability from labor costs, increased rent, and competition. Of course this is to be expected. Where Australia differs is the value of the brand on a drink. A coffee franchise compared to a privately owned coffee shop does not deliver a substantial difference in benefit or differentiation that say McDonalds would against a local burger chain. This can be attributed to a more European attitude towards the experience.

Upcoming Trade Events



National Franchise Convention:
October 21-24, 2006, Gold Coast
<http://nfc.franchise.org.au/>

***Franchising & Business
Opportunities Expo 2006-07:***
www.franchisingexpo.com.au

13-15 October 2006: Melb

23-25 March 2007: Sydney

5-6 May 2007: Adelaide

25-27 May 2007: Perth



Franchisees Are Hard to Find

In a period of full employment, good wages and little need to replace a secure job with a low risk business such as a franchise, quality franchisees are hard to find. With franchising reportedly growing at 17% since 2001, Australia is a highly competitive environment for franchisors seeking new recruits. So what can be done? It is recommended that Franchisors be more flexible in recruiting younger people, especially women.

Who's Growing: Top 10 Fastest Growing Franchises in Australia

** Boost Juice Bars:*

www.boostjuicebars.com.au

** Cartridge World:*

www.cartridgeworld.com.au

** Granite Transformations:*

www.granitetransformations.com.au

** WorkForce Extensions:*

www.workforceextensions.com.au

** Sleepy's The Mattress Experts*

www.sleepys.com.au

** ABC Learning Centre*

www.childcare.com.au

** Essential Beauty*

www.essentialbeauty.com.au

** Gloria Jean's Coffees*

www.gloriajeanscoffees.com.au

** Bright Eyes Sunglass Stores*

www.brighteyes.com.au

** Oporto Chicken*

www.oporto.com.au

Franchise Industry Set To Decline

IBIS World, the market research firm, forecasts a decline in enterprise growth from 5.8% per annum in the last 5 years to 2-3%. This partly results from increased consolidation, a slow down in retail trade, and most acutely felt by smaller franchises, decreased consumer spending. IBIS predicts those firms with less than 20-30 franchisees will struggle to meet marketing and overhead costs. The segments feeling the pinch most severely will be bulky goods: furniture, electrical goods, home improvements, and bed linen.

Franchisees Are Hard to Find cont.

Keep in mind that a lot of attributes of a good manager or employee is not quite the same as for a franchisee. Attributes of successful franchisees Down Under are attitude and enthusiasm. Remember Australian culture is that the relationship between Franchisor and Franchisee is not just a legal partnership but more of a closer working association.